

Reply to
Attn. of: CACFP-257

September 23, 1991

Subject: Expansion Funds for Low-income or Rural Areas in the Child and Adult Care Food Program (CACFP)

To: STATE AGENCY DIRECTORS - Colorado DH, Colorado ED, Iowa, Kansas,
(Special Nutrition Programs) Missouri DH, Missouri ED, Montana OPI,
Montana DHES, Nebraska ED, North Dakota,
South Dakota, Utah and Wyoming ED

Section 105(b)(1) of Public Law 101-147, the Child Nutrition and WIC Reauthorization Act of 1989, amended Section 17(f)(3)(C) of the National School Lunch Act (NSLA) [42 U.S.C. 1766 (f)(3)(C)] to provide for additional administrative payments to sponsoring organizations wishing to expand into rural and low-income areas. This amendment was made to the NSLA because of a belief that rural and low-income areas are generally underserved by family and group day care homes participating in the Child and Adult Care Food Program (CACFP) and that sponsoring organizations may encounter higher-than-normal costs when expanding into these areas.

In order to implement this and other related statutory provisions found in Public Law 101-147, the Child Nutrition Division developed and put into clearance a proposed amendment to the CACFP regulations. Clearance of that Regulation has taken considerably longer than expected. Given the extended clearance of the Regulation and the desire to make these funds available to interested parties as quickly as possible, we are implementing the expansion fund provisions through this memorandum. As set forth in this memorandum, these provisions will remain in effect until superseded by the publication of a final Regulation.

Basic Eligibility. Under Section 226.12(b) of existing Regulations, four types of organizations are eligible for start-up funds to develop or expand day care operations. They are (1) prospective sponsoring organizations of day care homes, (2) participating sponsoring organizations of child care centers or outside-school-hours care centers which intend to sponsor day care homes, (3) independent centers which intend to sponsor day care homes, and (4) participating sponsoring organizations of fewer than 50 homes. These four categories were established in Regulations issued by the Department on January 22, 1980 (45 FR 4960, 4966). Given the similarity between the intended use of expansion funds and start-up payments, we have been guided extensively by our experience with the latter category in developing the implementation requirements. However, we believe that it is not necessary to make expansion funds available to other than participating sponsoring organizations of family day care homes. There is no need to give expansion funds to nonparticipating sponsors of family day care homes because of their eligibility for start-up funds. These groups would have access to

expansion funds once they become family day care home sponsoring organizations if they wish to expand into low-income or rural areas. Therefore, we are limiting the availability of expansion funds to participating sponsoring organizations of family day care homes which have already used start-up funds or, because they have more than 50 homes, are no longer eligible for start-up funds.

Time Restrictions. Section 105(b)(1)(F) of Public Law 101-147 amended Section 17(f)(3)(C) of the NSLA to provide that "...institutions that have received start-up funds may also apply at a later date for expansion funds." In order to implement this provision in an orderly manner, we believe it appropriate to require that some minimum amount of time elapse between the receipt and expenditure of start-up funds and the receipt of expansion funds. Sponsoring organizations which have just begun program operations or have expanded their operations with start-up funds should be given adequate time to adjust to their new responsibilities. We believe that a full year's experience with its new homes should be adequate to accomplish this. While sponsors may add homes on a regular basis without start-up funds, the relatively large number of homes brought into a sponsorship as a result of start-up funds will make significant demands on a sponsor's resources, and sponsors should be given some time to adjust to their additional responsibilities before taking on new ones. Therefore, a sponsoring organization which has received start-up funds is prohibited from applying for expansion funds until a full year has elapsed since it satisfied all its obligations under its start-up agreement with the State agency.

Payment Limitations. Section 226.12(b) of current Regulations limits the number of homes on which the start-up funds calculation is based to 50 homes or, for existing sponsors of homes, 50 minus the number of homes already operated by the sponsor. Consistent with this start-up limitation, we are limiting the number of homes on which the expansion funds calculations are based to 50. Unlike the start-up funds limitation, this 50-home limit does not include homes already operated by the sponsoring organization requesting the funds. We are extending the 50-home start-up fund limitation to expansion funds because we believe that payments in that amount give sponsoring organizations a significant level of funding with which to expand into low-income or rural areas, as well as an amount which suggests support for a manageable level of expansion.

Section 17(f)(3)(C) of the NSLA, as amended by Section 105(b)(1) of Public Law 101-147, limits the amount of expansion funds that may be paid to a sponsoring organization to "...not less than the institution's anticipated [administrative] reimbursement under the program for one month and not more than the institution's anticipated reimbursement for administrative expenses under the program for two months."

The current maximum per-home administrative reimbursement rate for the first 50 homes is \$63 (56 FR 31368, July 10, 1991). Therefore, under these current rates, sponsoring organizations applying for expansion funds are entitled to an amount:

not less than: one month

times the number of expansion homes (up to 50),

times \$63 per home; (i.e. \$3,150)

and not more than: two months

times 50 homes

times \$63 per home (i.e. \$6,300).

As with start-up funds, the amount of expansion funds ultimately received by a sponsoring organization may not exceed the amount actually expended by it.

Also, the State agency must consider the anticipated amount of expansion funding to be paid and alternate sources of funds available to the sponsoring organization for such purposes when evaluating the sponsor's plans for expansion.

Definitions. As discussed above, Section 105(b)(1)(A) of Public Law 101-147 requires that expansion funds be used to help reach homes in low-income and rural areas. The statute is silent with regard to how "low-income" and "rural" are to be defined. In the absence of any specific statutory direction, we are guided by corresponding definitions established in 7 CFR Part 225 for the Summer Food Service Program (SFSP). Section 225.2 of those Regulations defines "rural" as "...any area in a county which is not a part of a Metropolitan Statistical Area or...any 'pocket' within a Metropolitan Statistical Area which, at the option of the State agency and with FNSRO concurrence, is determined to be geographically isolated from urban areas." Given the fact that expansion funds were provided under Public Law 101-147 in order to help defray the costs associated with moving into rural areas, and the fact that the definition of "rural" found in Part 225 has been used successfully by administering agencies to distinguish between urban and rural sponsors for more than 10 years, we believe it appropriate to use a similar definition for the CACFP.

With regard to "low-income" areas, Section 225.2 of the SFSP Regulations reflects the definition found in Section 13(a)(1)(C) of the NSLA (42 U.S.C. 1761(a)(1) for "...areas in which poor economic conditions exist." The statute defines such areas as those "...in which 50 percent of the children are eligible for free or reduced price school meals..., as determined by information provided from departments of welfare, zoning commissions, census tracts, by the numbers of free and reduced price lunches or breakfasts served to children attending public and nonprofit private schools located in the area of program food service sites, or from other appropriate sources...." We see considerable similarity between the intended application of this statutory definition in the SFSP and its potential application to determining

eligibility for expansion funds in the CACFP. In the case of the former, the statute recognizes that in trying to reach children with benefits, eligibility determinations cannot, because of the nature of the SFSP, be as precise as those made under the other child nutrition programs. Like SFSP sponsors, sponsoring organizations in the CACFP wishing to obtain expansion funds to move into low-income areas can only be expected to demonstrate the need of the area in broad terms. Using the precedent set for the SFSP, the Department believes it appropriate and reasonable to apply the same criteria to the expansion fund provisions. Therefore, "low-income area" will be defined the same as "areas in which poor economic conditions exist" found in Section 13(a)(1)(C) of the NSLA.

There are two methods that may be used to determine whether the area is one in which poor economic conditions exist -- school data and census tract data. For school data, 50% or more of the children enrolled in the school or schools serving the children who live in the area where the CACFP expansion is to take place must be eligible for free or reduced price meals under the National School Lunch or School Breakfast Programs. To obtain this information, sponsors should contact the local schools directly. The local school or schools serving the area can then provide sponsors with the number of children who are eligible for free and reduced price meals and their total enrollment. The sponsor must then provide their administering agency with the following information to document the eligibility of the area they intend to serve: (1) the name of the school(s) serving the children who reside within the expansion area; (2) the number of all children eligible for free and reduced price meals who are enrolled in the school(s); and (3) the total number of children enrolled in that school or schools. The administering agency will determine the eligibility of each expansion area based on this data submitted by the sponsor.

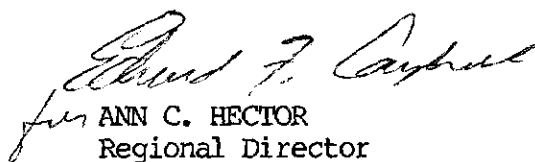
Sponsors may also choose to document area need by using census tract data to show that the median income for the tract which includes the expansion area is lower than the reduced price guideline. Census data are frequently available from local government planning offices or public libraries. If sponsors elect to use census data to document the eligibility of areas, they must submit to the administering agency photocopies of: (1) the census map page that includes the tract used; (2) the page from Table P-1 or Table 14 indicating the average number of persons per household in the tract; and (3) the page from Table P-60 or Table 180 indicating the median household income in the tract.

Implementation. To implement this policy, notification of the availability of expansion funds must be made to all participating sponsoring organizations by newsletter or direct mail as soon as possible, but no later than November 1, 1991. State agencies must inform eligible sponsoring organizations that, in order to participate, they must submit the following information: (1) An



acceptable and realistic plan for recruiting day care homes to participate in the Program, including activities which the sponsoring organizations will undertake; (2) the amount of expansion funds needed, together with a budget detailing the costs which the sponsoring organization will incur, document and claim; (3) the time necessary for the expansion of program operations; and (4) documentation that the expansion area meets the rural or low-income standards described above. Prior to the release of funds, applicant sponsoring organizations which meet the criteria for expansion payments must enter into an agreement with the State agency which includes the information provided by the sponsor in the application process, as well as a statement of the responsibility of the applicant sponsoring organization to repay, upon demand by the State agency, expansion funds not expended in accordance with the agreement.

If you have any questions with regard to any of the above, please feel free to contact our office at (303) 844-0359.


for ANN C. HECTOR
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